

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Finance and Tax Committee

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BILL: CS/SB 1754

INTRODUCER: Community Affairs Committee and Senator Altman

SUBJECT: Enterprise Zones/Palm Bay/Martin County

DATE: March 31, 2010

REVISED: \_\_\_\_\_

|    | ANALYST  | STAFF DIRECTOR | REFERENCE | ACTION           |
|----|----------|----------------|-----------|------------------|
| 1. | Pugh     | Cooper         | CM        | <b>Favorable</b> |
| 2. | Howes    | Yeatman        | CA        | <b>Fav/CS</b>    |
| 3. | ODonnell | McKee          | FT        | <b>Favorable</b> |
| 4. |          |                | TA        |                  |
| 5. |          |                | WPSC      |                  |
| 6. |          |                |           |                  |

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**Please see Section VIII. for Additional Information:**

|                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

Florida has 57 enterprise zones, which are designed to encourage economic development and restoration in blighted or economically depressed communities. A combination of state and local tax exemptions or tax credits have been enacted to incentivize economic activity in these areas. The Committee Substitute (CS) for Senate Bill 1754 creates opportunities for the City of Palm Bay and Martin County to apply for and receive an enterprise zone designation. Palm Bay's proposed enterprise zone may be located in the city's northeast end and be up to 5 square miles in size. Martin County's proposed enterprise zone may consist of land within the county urban services boundary, with a focus on Indiantown, and be up to 10 square miles in area. Palm Bay and Martin County are directed to file its enterprise zone application to the Governor's Office of Tourism, Trade and Economic Development (OTTED) by December 31, 2011, and December 31, 2010 respectively. The application must comply with the nominating procedure in s. 290.0055, F.S. OTTED is given discretion to designate an enterprise zone for Palm Bay and Martin County, and if that happens, must establish the enterprise zone's effective date. The CS also allows the governing body of a jurisdiction that nominated an enterprise zone that includes an area designated as a rural area of critical economic concern to apply to OTTED to expand the boundary of the enterprise zone by up to 3 square miles.

The Revenue Estimating Conference determined that the creation of an Enterprise Zone in the City of Palm Bay would have no cash impact in FY 2010-11 and an annualized negative impact on General Revenue of \$200,000.

SB 1754 creates ss. 290.00726, and 290.00727, F.S. and amends s. 290.0055(6)(d), F.S.

## **II. Present Situation:**

### Enterprise zones in Florida

#### ***Basic statistics***

The Florida Enterprise Zone Program was created in 1982 to encourage economic development in economically distressed areas of the state by providing incentives and inducing private investment. Currently, Florida has 57 enterprise zones.

OTTED reports that between October 1, 2008, and September 30, 2009, new businesses numbering 3,104 moved into or were created in enterprise zones, and 9,073 new jobs were created by businesses in enterprise zones.<sup>1</sup> More than \$45 million in state and nearly \$11.6 million in local government financial incentives were approved during that same period.

Over the last 5 years, 17,325 new businesses have moved into or were created in enterprise zones and 54,000 new jobs have been created.<sup>2</sup>

#### ***Designation process***

Sections 290.001-290.016, F.S., authorize the creation of enterprise zones and establish criteria and goals for the program. Prior to submitting an application for an enterprise zone, a local government body must determine that an area:

- Has chronic extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- Needs rehabilitation or redevelopment for the public health, safety, and welfare of the residents in the county or municipality; and
- Can be revitalized through the inducement of the private sector.

OTTED is responsible for approving applications for enterprise zones, and also approves changes in enterprise zone boundaries when authorized by the Florida Legislature. As part of the application process for an enterprise zone, the county or municipality in which the designation will be located also is responsible for creating an Enterprise Zone Development Agency and an enterprise zone development plan.

As outlined in s. 290.0056, F.S., an Enterprise Zone Development Agency is required to have a board of commissioners of at least eight, and no more than 13, members. The agency has the following powers and responsibilities:

- Assisting in the development, implementation and annual review of the zone and updating the strategic plan or measurable goals;

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<sup>1</sup> Florida Enterprise Zone Program Annual Report, October 1, 2008 - September 30, 2009. Published March 1, 2010. On file with the Senate Commerce Committee.

<sup>2</sup> Ibid, page 3.

- Identifying ways to remove regulatory burdens;
- Promoting the incentives to residents and businesses;
- Recommending boundary changes;
- Working with nonprofit development organizations; and
- Ensuring the enterprise zone coordinator receives annual training and works with Enterprise Florida, Inc.

Pursuant to s. 290.0057, F.S., an enterprise zone development plan (or strategic plan) must accompany an application. At a minimum this plan must:

- Describe the community's goal in revitalizing the area;
- Describe how the community's social and human resources—transportation, housing, community development, public safety, and education and environmental concerns—will be addressed in a coordinated fashion;
- Identify key community goals and barriers;
- Outline how the community is a full partner in the process of developing and implementing this plan;
- Describe the commitment from the local governing body in enacting and maintaining local fiscal and regulatory incentives;
- Identify the amount of local and private resources available and the private/public partnerships;
- Indicate how local, state, and federal resources will all be utilized;
- Identify funding requested under any state or federal program to support the proposed development; and
- Identify baselines, methods, and benchmarks for measuring success of the plan.

#### ***Available incentives***

Florida's enterprise zones qualify for various incentives from corporate income tax and sales and use tax liabilities. As noted above, OTTED reported that \$45.3 million in state incentives was approved by the Department of Revenue (DOR), between October 1, 2008, and September 30, 2009, for all state enterprise zones. During that same time period, \$11.5 million in incentives was provided by local governing bodies, half of the FY 07-08 total. Examples of local incentives include: utility tax abatement, reduction of occupational license fees, reduced building permit fees or land development fees, and local funds for capital projects.<sup>3</sup>

Available state sales tax incentives for enterprise zones include:

- Building Materials Used in the Rehabilitation of Real Property Located in an Enterprise Zone: Provides a refund for sales taxes paid on the purchase of certain building materials, up to \$5,000 or 97 percent of the tax paid.
- Business Equipment Used in Enterprise Zones: Provides a refund for sales taxes paid on the purchase of certain equipment, up to \$5,000 or 97 percent of the tax paid.
- Rural Enterprise Zone Jobs Credit against Sales Tax: Provides a sales and use tax credit for 30 or 45 percent of wages paid to new employees who live within a rural county.

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<sup>3</sup> Ibid, page 11.

- Urban Enterprise Zone Jobs Credit against Sales Tax: Provides a sales and use tax credit for 20 or 30 percent of wages paid to new employees who live within the enterprise zone.
- Business Property Used in an Enterprise Zone: Provides a refund for sales taxes paid on the purchase of certain business property, up to \$5,000 or 97 percent of the tax paid per parcel of property, which is used exclusively in an enterprise zone for at least 3 years.
- Community Contribution Tax Credit: Provides 50 percent sales tax refund for donations made to local community development projects.
- Electrical Energy Used in an Enterprise Zone: Provides 50 percent sales tax exemption to qualified businesses located within an enterprise zone on the purchase of electrical energy.

**Summary of state incentives offered in the Florida Enterprise Zone Program<sup>4</sup>**

| CATEGORY                        | FY 08-09        | FY 07-08     | FY 06-07     | FY 05-06     | FY 04-05     | FY 03-04    | FY 02-03    | FY 01-02    |
|---------------------------------|-----------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Jobs Tax Credit (SUT)           | \$5,227,245     | \$5,732,605  | \$6,087,843  | \$6,777,250  | \$4,729,834  | \$2,579,512 | \$1,444,543 | \$970,148   |
| Jobs Tax Credit (CIT)           | \$5,072,555     | \$5,507,311  | \$5,919,236  | \$4,253,621  | \$2,080,397  | \$1,086,747 | \$800,029   | \$1,965,920 |
| Property Tax Credit (CIT)       | \$1, 910,708    | \$2,184,036  | \$2,291,961  | \$1,267,999  | \$1,668,168  | \$507,022   | \$272,942   | \$303,542   |
| Building Materials (SUT Refund) | \$30,994,860    | \$25,665,025 | \$18,855,129 | \$7,415,711  | \$3,878,421  | \$1,356,462 | \$533,673   | \$456,551   |
| Business Equipment (SUT Refund) | \$1,139,066     | \$1,269,955  | \$1,771,396  | \$2,940,864  | \$1,618,721  | \$1,182,582 | \$1,874,145 | \$2,813,601 |
| Electrical Energy (SUT exempt)  | \$1,007,007     | \$606        | \$793,179    | \$778,090    | \$84,516     | \$488,937   | \$476,251   | \$229,789   |
| Total Value of State Incentives | \$45,351,441    | \$40,359,538 | \$35,718,744 | \$23,433,535 | \$14,060,057 | \$7,201,262 | \$5,401,583 | \$6,739,551 |
| # of EZs                        | 56 <sup>5</sup> | 56           | 56           | 55           | 53           | 51          | 51          | 47          |

Available state corporate income tax incentives for enterprise zones include:

- Rural Enterprise Zone Jobs Credit against Corporate Income Tax: Provides a corporate income tax credit for 30 or 45 percent of wages paid to new employees who live within a rural county.
- Urban Enterprise Zone Jobs Credit against Corporate Income Tax: Provides a corporate income tax credit for 20 or 30 percent of wages paid to new employees who live within the enterprise zone.
- Enterprise Zone Property Tax Credit: Provides a credit against Florida corporate income tax equal to 96 percent of ad valorem taxes paid on the new or improved property.
- Community Contribution Tax Credit: Provides a 50-percent credit on Florida corporate income tax or insurance premium tax, or a sales tax refund, for donations made to local community development projects.

**Palm Bay's enterprise zone proposal**

Palm Bay officials describe the northeastern area of their city as economically disadvantaged, but potentially on the rebound as the city partners with the Bayfront Community Redevelopment District and others to increase investment in the area.

The area includes residential neighborhoods and vacant industrial property that could be used to attract business and provide employment opportunities; for example, its proximity to the

<sup>4</sup> Information compiled from several editions of the Florida Enterprise Zone Program annual report.

<sup>5</sup> Ocala's enterprise zone designation wasn't approved by OTTED until January 2010, so its activity will be displayed next year.

Palm Bay Road corridor, which includes the Harris Corporation (semiconductors) and Intersil, Inc., (electronic wafers for communication devices and other equipment), makes it attractive to high-tech spinoff businesses.

### **III. Effect of Proposed Changes:**

**Section 1** creates s. 290.00726, F.S., to allow the City of Palm Bay to seek designation of an enterprise zone, of up to 5 square miles in area, within its northeastern boundary. Palm Bay has until December 31, 2011, to file its application with OTTED. The application must meet the requirements of s. 290.0055, F.S., which establishes some of the criteria and details the process by which a local government seeks an enterprise zone designation.

The section also specifies that notwithstanding s. 290.0065, F.S., limiting the number of enterprise zones in Florida, OTTED may designate one enterprise zone for Palm Bay. OTTED also is directed to set the initial effective date for the new enterprise zone.

**Section 2** amends s. 290.0055(6)(d), F.S., to allow the governing body of a jurisdiction that nominated an enterprise zone that includes an area designated as a rural area of critical economic concern to apply to OTTED to expand the boundary of the enterprise zone up to 3 square miles.

**Section 3** creates s. 290.00727, F.S., to allow Martin County to apply to seek designation of an enterprise zone, up to 10 square miles in area, consisting of land within the County urban services boundary and focusing on Indiantown. This enterprise zone would exclude property owned by Florida Power and Light to the west, two areas to the north designated as estate residential, and the county-owned Timer Powers Recreational Area. Within the designated enterprise zone, Martin County shall exempt residential condominiums from benefitting from state enterprise zone incentives, unless prohibited by law.

The section also specifies that, notwithstanding s. 290.0065, F.S., limiting the number of enterprise zones in Florida, OTTED may designate one enterprise zone for Martin County. OTTED also is directed to set the initial effective date for the new enterprise zone. OTTED will establish the initial effective date of the enterprise zone.

**Section 4** provides that this act shall take effect January 1, 2011.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

The Revenue Estimating Conference determined that the creation of an Enterprise Zone in the City of Palm Bay will have no cash impact in FY 2010-11 and an annualized negative impact on the General Revenue Fund of \$200,000.

**B. Private Sector Impact:**

Indeterminate. However, the positive economic impact could be significant to the businesses that locate or already are within the enterprise zone, because of their various tax savings. The general public also could benefit as consumers who shop at new or improved businesses within the enterprise zone. Also, job-seekers could benefit from opportunities afforded them by businesses within the new zone.

**C. Government Sector Impact:**

Indeterminate, but likely minimal. Other than the initial review of the proposed enterprise zone applications and decisions whether to approve or reject them, the workload on OTTED staff should be insignificant.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)**CS by the Community Affairs Committee on March 23, 2010:**

- The CS allows the governing body of a jurisdiction that nominated an enterprise zone that includes an area designated as a rural area of critical economic concern to apply to OTTED to expand the boundary of the enterprise zone up to 3 square miles.
- The CS allows Martin County to apply to seek designation of an enterprise zone, up to 10 square miles in area, consisting of land within the county urban services boundary and focusing on Indiantown. This enterprise zone would exclude property owned by Florida Power and Light to the west, two areas to the north designated as estate residential, and the county-owned Timer Powers Recreational Area. Within the designated enterprise zone, Martin County shall exempt residential condominiums from benefitting from state enterprise zone incentives, unless prohibited by law. OTTED will establish the initial effective date of the enterprise zone.

B. Amendments:

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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